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## EFFECTIVE STAFF UTILIZATION

To maximize productivity in a CPA practice, you must be able to strike the proper balance between the production of collectible dollars compared to cost and fulfilling employees' needs and expectations.

Why would employees want to be productive anyway? There are probably countless reasons. Some might have to do with fear of a boss or fear of failure, the desire to succeed or perhaps pressure from friends or family. There are aspects about any job that act as satisfiers and help increase productivity or as dissatisfiers with the opposite result. Employee satisfaction usually comes from achievement, recognition, the work itself, responsibility and advancement. Dissatisfaction is often caused by salaries, peer relationships, firm policy and administration, supervision and working conditions.

You can deal with a nonproductive situation by threatening the employees or by removing the dissatisfiers no matter what the cost. For most firms, though, the only real solution is to promote job satisfiers. Let's look at that list of satisfiers and dissatisfiers again.

**Achievement.** To get the results you want, you should aim to recruit only high-level achievers to your staff. They will need to know what is expected of them, so talk to them about goal setting and make sure that you utilize this method of performance evaluation right from the start.

People learn by doing. Extend individuals to their limits by giving them increasing levels of responsibility immediately. And don't forget about giving feedback. Let them know you appreciate what they are doing.

**Recognition.** Take the time to recognize achievement. Make use of status symbols and let clients know about staff promotions, examination successes, etc. We published an article in our client newsletter stating that the best investment around is our people. We listed their accomplishments and

the response from clients was very positive. You can also give recognition by letting staff members sit in on client conferences and involving them in much of the decision making.

**The work itself.** This can either be rewarding or boring. Try to spread the interesting jobs around so that as many people as possible are stimulated. You can build solid technical capabilities into the firm without building in boredom. Make everyone part of the team and assign jobs so that people can see a completed piece of work. In my early days, I once worked on a large audit staff for nine months and never saw an audit report. Don't let that happen in your firm. Let your staff know what the finished product is.

**Responsibility.** Authority must be commensurate with responsibility. Give people a chance to succeed and to make mistakes. Proper supervision will minimize financial losses caused by errors.

**Advancement.** All beginning accountants expect to become partners and believe this will happen. They are looking for advancement and titles are evidence of it. Before people can become partners in our firm, they must enter a year-long training program to see if it suits them and if they suit the firm.

**Salary.** Money is more important early in anyone's career than it is later on. The positive effect of an increased amount of dollars doesn't last long anyway. People want to know what you have done for them recently.

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## Managing a Service Business

The key to increasing efficiency in a service organization, such as an accounting firm, is, I believe, to look at the firm as a business that renders accounting services. Once we regard our firms as businesses, we can start to manage them better. This doesn't mean that we are not professionals offering professional services, but that our practices should be operated on a businesslike basis.

For example, every business needs a chief executive, yet many professional organizations don't really have anyone in that position. However, if you want to increase your profitability, you should have a chief executive. You need a managing partner whose role is the care and feeding of the partners and staff and whose primary responsibility is the number one client—the firm itself.

In most professional firms heavy emphasis is placed on client responsibilities. But it is imperative that different criteria be applied to the managing partner. This person must give up a lot of direct client responsibility. The measure of the managing partner's performance is not chargeable time and client service; it is how well he or she manages the firm.

All of us in service firms know that our most important asset is our people. What we do to develop and retain the type of people we want is of paramount importance.

In our firm, the overriding consideration is to individualize the handling of staff. One of the ways we do this is through a "mentor" program in which each staff professional is assigned to a partner who is responsible for that person's development. We think this is well worth the effort. Staff turnover is a problem in many accounting firms, but it is a negligible factor in ours. During the last three years, only one person has left the firm whom we were unhappy to see go.

We continually analyze our strengths and weaknesses. The idea is to match the firm's needs with people who possess the requisite skills, or to develop

services that can utilize our strengths. For example, we were able to capitalize on the estate planning expertise of one of our partners by creating an estates and trust team, along with the necessary training, organization and marketing to make it work.

In another case, we saw an opportunity for the firm to advise smaller businesses about the uses of computer systems. At the time, we didn't have the capability to meet this need and had been referring the business to a sole practitioner who has a computer consulting practice. Recently, someone with all the needed skills joined our organization as the principal in charge of our management services group, and we have great expectations for the future.

We work hard at employing one of the most important fundamentals of good management—delegation. For example, we had continuing problems with our secretarial staff. We finally solved those problems by giving our office administrator complete authority as well as responsibility in this area. It is monitored by a partner, but direct partner involvement is no longer required.

We have a system of individual accountability through which people are rewarded on the results they produce. This system includes the partners. We believe in planning and make time for it. Partners have monthly meetings which take a full day and cover many subjects. Special planning projects are also assigned to staff members.

Teamwork is an overused, often misused word, but it is the underlying theme for the management of our firm. Our definition of the word is "work done by several associates, with each doing a part but all subordinating personal prominence to the efficiency of the whole." Our management style has as one of its benefits the promotion of teamwork which we find makes possible what would otherwise be impossible or unworkable. It is synergism—where the combined action of separate entities is greater than the sum of the individual parts.

—by Alan B. Kimmel, CPA  
Century City, California

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## Personal Communication— Essential in a Practice

In communication among people, ideas are encoded and transmitted, received and decoded. Or, expressed differently, ideas are put into words and directed to other people who receive and interpret them. The weakest links in the communication chain are the encoding and decoding elements, because each person has a different code book. Often the interpretation of an idea is not the same as the original concept.

Expressing yourself in a way that gets your meaning across to another person is obviously important. As a practitioner, keep in mind that you will never be paid a fee unless clients first pay attention to you. If your clients don't perceive any value in what you are offering, they won't pay attention. Two vitally important communication principles to remember are (1) empathy—the identification and understanding of another's viewpoint, and (2) responsibility—the extent to which you will go to understand and be understood.

Practicing the art of empathy with other people is not just a virtue, it can be useful in client relationships and in motivating staff. There are three stages to this process:

- ☐ Perceive each individual's (client, prospect, spouse, child, etc.) viewpoint or value system.
- ☐ Grant others the right to think or feel differently from how you think and feel.
- ☐ Identify with other people's values, viewpoints and desires.

Each person's perspective is unique, and using empathy makes it easier to deal with others more effectively. Put yourself in other people's shoes, with their individual backgrounds, conditioning and experiences to see how you would view a given situation.

As senders or receivers of messages, we each have the primary responsibility for being understood and for understanding. If we are not understood, we should take the position that we have not expressed ourselves clearly. If we don't understand, we should use our initiative to seek better, fuller understanding. We need to go further than meeting the other person halfway when communicating. We should read the nonverbal signs others are giving, practice empathy, ask questions, initiate feedback and be willing to take the extra steps. To do less is to invite a communication gap.

Put the responsibility to comprehend on yourself.

*(Continued on page 4)*

## Nonverbal Communication

Body positions, facial expressions and gestures are indications of mental states. Folded arms indicate probable defensiveness or resistance—so does leaning away. Hands on hips indicate possible aggressiveness. A manner of walking can indicate authority, timidity, etc. Facial expressions reveal possible moods and emotional sets. In total, nonverbal signs communicate even more expressively than the spoken word and understanding these messages is vital to good communication.

Listening is the receipt of information. Hearing is deeper. It is understanding—grasping the innuendos, subtleties, emotions, etc. There are some techniques that can help us to hear better. Begin with genuineness from the standpoint of both politeness and profitability. Be sincere in terms of both wanting to know and understand what your employee, spouse, child or client is meaning, where they are coming from and where they are going because, if you do, you'll be able to deal with them more effectively.

Physical stillness and mental stillness are recommended. It is not possible to turn pages, to be moving, to be thinking about other things while another person is speaking and really grasp meaning. We need to read the eyes, facial expressions and body language to understand what someone is saying. The only way we can do that is to still our own minds and bodies.

A movement toward the person speaking is also recommended. It might be one inch, six inches or moving from a rather relaxed body position to a forward leaning posture with our elbows on our knees. It says "Well, that's really interesting. Tell me more about that." The intensity and interest are clearly greater. Not only do you tend to become more intent in terms of what someone has to say, but the other person begins to perceive your greater interest in what he or she is saying.

Nodding the head up and down can help too. It says "Tell me more, go on. I am receiving your messages." It does not necessarily say "I agree or disagree" but it helps understanding by continuing the conversation. Remember, the more the other person talks (about almost anything, although preferably the specific topic at hand), the more you learn and the better prepared you are to deal effectively with that person.



Ask open-ended questions that can't be answered with a single word. For example, "How do you see the difference between . . .?" or "What are some of the ways . . .?" Then reserve comments and judgments. Just absorb the reader's message and initiate feedback to check on your own receiving ability.

Silence is golden when receiving messages. It enables you to hear. Stillness is important, too—both physical and mental stillness. You can also make it easier for others to address you if you devote yourself exclusively to them for a time and concentrate on their messages and meanings. Get closer if you can. Remember, a desk creates a barrier because you negotiate across it. Maintain eye contact, watch the movements of others and use nods and gestures to let them know that you are receiving their messages.

When sending messages, do so in a manner that persuades the receiver that your ideas are important, meaningful, entertaining, etc. Deliver enough value so that the receiver pays attention. Communication goals and objectives need to be clearly stated and referred to periodically to allow receivers to consistently confirm or deny the conversation's purpose, direction and destination. Assumptions are sometimes necessary, but frequently they are traps. Assume as little as possible.

Use words and phrases that are familiar to the receivers. This will increase the likelihood of the message being comprehended. Other ideas are to paraphrase a message—restate it in a way that clarifies and confirms or denies previous statements. And ask the receiver to return the meaning of the message to you. This is a nearly foolproof confirming technique.

Perhaps the most effective ingredient in the communication process is trust. There must be an area in which two parties can reassure each other of credibility and trustworthiness. While presenting oneself as open and straightforward is not always the most useful approach in all areas, it is the most important attitude in a close personal relationship. If an individual suspects that another person will ridicule or reject any strong feelings that are expressed or will reveal sensitive ones to third parties, these feelings will never be stated and a communication gap will result. Trust has to be earned, developed and maintained.

—by Mike McCaffrey

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*The above thoughts are abstracted from the draft of a forthcoming book, Personal Marketing Strategies, by Mr. McCaffrey.*

## Questions for the Speaker

The following questions were submitted to the panel at the AICPA practice growth conference last October but were not answered due to lack of time. In an attempt to obtain a variety of answers, we asked three practitioners for their viewpoints. The responses are by Ronald L. Frandsen, CPA, of Brigham City, Utah; Christian P. Frederiksen, CPA, of San Francisco, California; and William T. Young, CPA, of Madison, Wisconsin.

**Question:** Do any of your firms develop a list of potential clients? How do you coordinate approaches to these potential clients among your partners?

**Frandsen:** Yes, we do develop a list of potential clients. Any needed coordination of effort and assistance is arranged at our weekly promotion meeting where plans for developing prospects are discussed. The meetings include everyone we expect to be actively promoting our firm and usually last 20 to 30 minutes.

**Frederiksen:** My advice is to limit the amount of energy you spend in making lists of potential clients. Too often, these lists become a clerical nightmare and an excuse for not actively developing business. If you do make "hit" lists, keep them short and use them only for industries where you have a specialty. Here are some other suggestions for pursuing potential clients.

- ☐ Put them on your mailing list.
- ☐ Send them topical articles.
- ☐ Invite them to industry-oriented training programs, such as AICPA and state society programs.
- ☐ Invite them to your annual tax update seminar.
- ☐ Be patient.

**Young:** A list of potential clients is extremely useful in focusing the firm's practice development program. We have found that we are most successful when we identify specific potential clients and relate their perceived needs to our ability to satisfy these needs.

We coordinate our approaches to potential clients at regularly scheduled practice development meetings. At these, partners and staff discuss potential accounts in terms of types of business, names of key management people and our relationships with them.

**Question:** If you pay 10 percent for new business or expanding services to existing clients, do arguments arise over who originated the business, especially when you use two people to assist in getting the account?

**Frandsen:** Whenever you use a commission for incentive you have this problem. When two people have been active in obtaining an account, we split the commission. In addition, the commissions are supposed to encourage activity, so owners always defer to staff and the more experienced people defer to newer personnel, etc. We have tried to approach the allocation of commissions in as positive a way as possible and, as a result, we've never had any serious disagreements.

**Frederiksen:** We do not pay a percentage to our staff. Problems don't usually arise over who brought the client in. They arise because staff people don't

- ☐ Like the idea of being commissioned sales agents.
- ☐ Think that this is what they should be doing in their early years.
- ☐ Consider it ethical, equitable or fair.

The system encourages the "C" team to call on prospective clients instead of the "A" team (partners). A better idea would be to pay specific bonuses based on people's practice development efforts (subjectively decided, of course).

**Young:** First, I do not believe it is a good idea to pay a commission for new business. I think it is very important for anyone in public accounting to understand that the development of new business is a specific job responsibility, and something that is not beyond the scope of any employee's or partner's job description. Further, annual evaluations should include a discussion of practice development efforts and results so that the concept of practice development being an integral part of everyone's job is reinforced.

I have found that in situations where a fee was paid, arguments arose as to how that business was generated. I believe these arguments cause unneeded internal competitiveness and tend to negate the one-firm concept.

## From MAP to Monarch

Since 1945, the state of Louisiana has sponsored an annual Mardi Gras Ball in Washington, D. C., that is modeled on the one held in New Orleans.

Jake L. Netterville, a Baton Rouge practitioner who is former chairman of the AICPA management of an accounting practice committee, and currently president of the Society of Louisiana CPAs, was honored recently when he was chosen to reign as king over this year's Mardi Gras Ball in the capital.

Mr. Netterville said that this year's celebration started with a reception at the State Department where he met George Schultz, secretary of state, and a number of foreign ambassadors. (Louisiana is holding a world's fair next year and would like foreign countries to participate.) Then began a large array of parties and festivities culminating with a magnificent ball at which the court was presented in full regalia to the 3,500 or so people attending from Louisiana and Washington, D. C.

In between these events, the Netterville family visited the White House and exchanged gifts and conversed with the president in the oval office. Mr. Netterville says "It was four days of excitement and an experience that I will never forget."

## Human Relations as an Accounting Skill

*Success as a CPA may depend upon human-relations skills as much as upon the skills which the profession certifies. While we all know how to be warm, we may benefit by demonstrating more warmth in our relationships with clients.*

Powerful selection and entry qualifications, plus continuing education help ensure that practicing CPAs are uniformly competent in a technical sense. However, these qualifications are not the sole determinants of success. Every CPA is presumed able to do the job. Accounting skills serve primarily to distinguish the CPA from the non-CPA, not from other CPAs. Therefore, a major distinction among CPAs may be the extra talents possessed and provided to clients. Foremost among these and a key factor in success is likely to be skill in human relations.

Successful consultants know that clients' needs are not always of a purely technical nature. The client wants personal and helpful advice, although not from a lay person who may overlook a relevant technical problem. CPAs, as much as any professionals engaged in consulting, are in a position to provide help on many fronts. The keys to success in the CPA/client relationship may lie in providing answers to unspoken questions and solutions to unstated problems, drawing upon an expertise beyond what the CPA was engaged to provide. In fact, cli-

ents' decisions about following your advice or retaining your services may depend upon factors in addition to your professional qualifications. How well you get along with your clients will play an important part in their decisions.

Perhaps an anecdote is in order to explain this point. An engineer, early in his career, would regularly be called upon for advice on matters in which he was considered by training to be expert. Armed with ample data, documentation and justification for recommendations, he would present cases for particular courses of action at the company. Just as regularly, the advice would be questioned and often not accepted.

It took about two years of such experiences before he realized that it was not the technical quality of the analyses and presentations that was being questioned. Rather, it was the individual, not the work, that was under review. Until he had proved himself in the organization, neither he nor the analyses could gain acceptance. He later proved the point by withholding data supporting a recommendation, stating that as he was the expert, his analyses and advice should be beyond question. And, surprise, they were.

In that case acceptance, not expertise, was the key to success. This is perhaps even more true in the relationship of a client to a CPA or other professional. Where the client is a non-expert, acceptance of your accounting skills may only follow personal acceptance and this will depend on your demonstrating genuine concern for the client's problems. A first step in this direction is to be warm toward your client and the professional relationship.

It is difficult to define exactly what warm means but most people know when they experience warmth and respond very strongly. Some examples may illustrate this point.

MBAs surveyed about the business-school courses which were most useful in their careers listed accounting as important but not most important. Top managers named in order of rank behavioral sciences, policy and accounting. Middle managers named behavioral science, production, policy and accounting.

Recently, we asked a group of about 25 auditors to provide detailed comments about a person who had been only briefly described to them. Half of the group was told, among other things, that the person was warm, while the other half was told the individual was cold. There were no other differences in the description, yet the two groups described what appeared to be two entirely different people.

The different descriptions related to how warm or cold the auditors perceived the described individual to be. Compared to cold people, warm individuals

were described as better skilled, sharper, happier, honest, self-confident, interesting, sociable, moral, pleasant, friendly, considerate and kind. Warm individuals were even described as better dressed. It is very clear that being perceived as a warm person leads to many additional and positive perceptions.

If attempts at warmth seem off base from the bottom-line concern of managing assets, consider this: in a survey of Fortune 500 executives, human assets were determined to account for about half and often more of the total real worth of the corporations. The people you manage and the clients you attend to in your work as a CPA are equally important to your firms and your careers.

—by Randall G. Sleeth  
and John B. Sperry  
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## Effective Staff Utilization

(Continued from page one)

*Peer relationships.* Let everyone know what is going on in the firm. If someone is complimented by a client, let the other staff members know about it. Try to promote a team concept rather than have individuals view each other as competitors.

How can we promote the satisfiers in our firms? To begin with, there must be the right environment. You can test your firm's environment by finding out how the staff feels about the firm and, more importantly, determining how you feel about it. Observe how you all work together and ask yourself why someone would want to work for the firm. There are many things to consider.

For example, as a firm, do you know who you are and who and what you want to be? Do you have a written plan for the future? Is it published? Do staff know where you are going, and have you determined how and when you will get there, why you have this goal and what you are trying to accomplish? Does your plan include room at the partner level for those who qualify? Will growth come only from within or do you have plans to merge?

We have the staff we want and have pledged that no one will be adversely affected by a merger or acquisition. You will have to think about what you will do with staff or partners who don't fit the bill and what you will do about hiring the type of people you need to reach your goals. You should start now to look for the outstanding people you will need in two years' time. Perhaps there are advantages you can capitalize on to attract these people, such as location or climate. Perhaps you can offer unusual partnership opportunities due to various factors.

You must consider your working conditions too. These may be good or there may be disadvantages—lots of travel or high cost of living in your area—to working for you. Be honest about this.

Here are six steps to create an environment in which your staff can thrive. One must be

- ☐ *Understanding.* Find out the staff's professional and personal goals and objectives. Have social get-togethers. Find out who the people are.
- ☐ *Sincere.* You must know where your firm is coming from and what its goals and objectives are. Let your staff know what is needed.
- ☐ *Candid.* Tell it like it is—the bad as well as the good. If things are getting tough for the firm, tell staff about it. And always obtain feedback.
- ☐ *Consistent.* You need a policy manual as well as audit and accounting manuals. You must have rules in the firm and somewhere for staff to get answers to questions.
- ☐ *Objective.* Measure goal attainment objectively. Look at your own performance as a professional and as a manager.
- ☐ *Positive.* Employees know if you are positive in direction and purpose, because it affects them.

Your firm environment is a by-product of the way you regularly treat staff. From the moment they are hired, there is a cycle in people's development. It goes from orientation through training, delegating, coaching, performance evaluation and review and finally to promotion. People then go back to orientation at the new level and move through the cycle again. Let's look more closely at these factors.

*Hiring.* Don't engage in crisis hiring. Set your own standards, maintain them and operate under stated firm philosophy. What you are really looking for is your own replacement, but keep age differences in mind. Younger people think differently. Take the time to learn how to interview and always be prepared and organized. Take a tape recorder to record your impressions directly after the interviews. Recruit regularly every year. Get to know a few schools well and become known at them.

*Orientation.* New employees must be made to feel both expected and welcome and that they will receive special consideration until familiar with the firm's operations. Staff members promoted to new levels of responsibility must be given time to orient themselves too.

A formal orientation program is suggested. (See chapter 305 of the *AICPA Management of an Accounting Practice Handbook* for some ideas.) Scheduling must be explained to staff and the team concept expressed. Small human touches help people feel at home. So, in addition to the regular fringe benefits, try to devise a few of your own.

We encourage professional staff to take a three-day weekend at the firm's expense during the busy season. Productivity begins to drag in February and this is a tonic to staff members and their spouses. We also pick up the tab for staff to attend the Indiana CPA Society convention in May and have college ballgame tickets for the use of staff and clients.

*Training.* Staff members are demoralized if they sense you don't bother enough about their learning. Set up formal staff training programs and encourage the taking of more CPE courses than the law requires. These courses must be scheduled in advance and followed up. Give staff the opportunity to specialize and get people's input regarding their career goals. Let them know your expectations for their progress but remember to be considerate.

*Delegating.* Effective delegation is when you assign work responsibility to someone you know can't possibly do the job as well as you. Remember, achievement and recognition are the first two job satisfiers listed. You should give staff the chance to build a reputation through early contact with clients and encourage them to be proud of the practice.

We shoot for 100 percent productivity and operate under a backlog theory. We encourage staff to have a backlog of low priority jobs that can be worked on between more important engagements. Match work and the capabilities and the expectations of your personnel. Your staff is brighter and better trained than you think it is.

*Coaching.* This is a bridge between delegation and performance review. If staff members did not need your help, they would already be at the next level.

*Performance evaluation and review.* Be careful in your selection of a method to evaluate and review performance. The method must suit your firm. Among the items to be considered are responsibilities and targets, the preparation needed, interim reviews and the final review and conference. (Chapter 307) of the MAP handbook contains many useful ideas and aids. Take care never to talk down to staff and be careful of personal moods that affect relations.

*Promotion.* You must have a clearly defined philosophy and clearly defined levels of achievement. Give staff some solid reasons for wanting to become a partner.

The cycle starts over at each new level and the higher the level, the more problems there are and the more difficult everything becomes. You may sometimes wonder whether it is worth the trouble. However, the key to your firm's future is your staff. The only way your firm will grow is if your people are encouraged to grow.

by W. Alan Simmons, CPA  
Muncie, Indiana



## Handling Overdue Accounts

Do some of your small business clients have trouble handling overdue accounts? Often, there is doubt about how firm to be without risking the loss of the account or about how late the account can be without jeopardizing the chances of being paid. The following data offered by Publishers Clearing House shows that the chances of a bill being paid diminish steadily as the account ages.

<u>Age of obligation</u>	<u>Likelihood of collecting</u>
1 month	97%
2 months	90%
3 months	80%
8 months	67%
12 months	45%
24 months	23%
36 months	12%

Although the establishment of a collection procedure won't provide the right answer in every case, a fixed routine for the collection of overdue accounts will help your clients. Here are a few suggestions from the Doty, Jarrold *Client Information Bulletin* for strengthening your clients' collection systems.

- ☐ *Communication.* Companies sometimes don't inform customers of their collection terms.
- ☐ *Consistency.* Don't favor large accounts unless special credit terms have been negotiated for big orders.
- ☐ *Credibility.* Don't threaten legal action unless you mean it.
- ☐ *Direct action.* Go to the decision maker when pressing for payment. Your invoice will stay at the bottom of the pile unless the clerk's instructions are changed.
- ☐ *Intelligence.* Keep abreast of the customer's financial status.
- ☐ *Promptness.* Late invoices encourage late payments.
- ☐ *Records.* Are they set up to show each customer's status quickly?
- ☐ *Surveillance.* Monitor efficiency. If the average day's receivables rise over a period of time, an overhaul of the credit and collection procedures may be warranted.

Using a friendly, understanding tone in follow-up letters while firmly suggesting that further delay could lead to loss of credit standing or other consequences can also speed the collection of overdue accounts.

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